

PRESS INFORMATION BUREAU
GOVERNMENT OF INDIA

**GROWTH OUTLOOK SHOULD NOW IMPROVE; MONETARY
POLICY ANNOUNCEMENT SHOULD HELP IN INVESTMENT
REVIVAL AND CONTRIBUTE TO STRENGTHENING OF BUSINESS
SENTIMENTS: FM**

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Union Finance Minister, Shri Pranab Mukherjee has said that everything will be done to help maintain a supportive monetary policy stance for growth. The Finance Minister was reacting to the Annual Monetary Policy statement for 2012-13 announced today wherein the RBI has announced a 50 basis point reduction in the policy rates. The repo rate under the liquidity adjustment facility now stands at 8.0 per cent and the reverse repo rate, maintaining the fixed corridor of 100 basis points, at 7 per cent with immediate effect. This marks a beginning of the reversal in the policy rates after more than two years.

The Union Finance Minister said that the moderation in the core inflation rate for four months in a row from 8.31 per cent in December 2011 to 5.18 per cent in March 2012 along with a sharper decline in the inflation for manufactured products from 7.64 per cent to 4.87 per cent in this period has facilitated the change in the monetary policy stance. However, he said that food and primary inflation has shown some signs of hardening in the month of March 2012 which is a cause for some worry. Shri Mukherjee stated that it was intended to continuously monitor the situation and take the required steps to manage the short-term supply constraints especially in those food items which have been a cause of inflationary spikes in the past months.

Shri Pranab Mukherjee said that the growth outlook which had weakened in these past months should now improve. The monetary policy announcement should help in investment revival and contribute to strengthening of business sentiments, he said. The Finance Minister stated that in the coming weeks some additional steps will be taken to further reinforce the focus on growth.
